

Message Text

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AMCONSUL SAO PAULO

UNCLAS RIO DE JANEIRO 4700

FOR COMMERCE/MEPD

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TAGS: BEXP, BR

SUBJECT: RAILCARS FOR BRAZIL

REF: STATE 241298 AND PREVIOUS

SUMMARY:

1. RECENT RIO VISIT BY PULLMAN APPEARS TO HAVE BEEN HIGHLY SUCCESSFUL. THERE REMAINS STRONG POSSIBILITY PULLMAN OBTAINING REDE FERROVIARIA CONTRACT FOR INITIAL ORDER 1900 HOPPER CARSWORTH SOME 60 MILLION DOLLARS. HOWEVER, PULLMAN WILL HAVE TO MOVE QUICKLY TO PROVIDE REDE WITH WRITTEN OFFER REGARDING RAILCARS. THIS SHOULD BE ACCOMPLISHED PRIOR TO PLANNED WASHINGTON VISIT BY REDE DIRECTOR STELLING JAN. 15-17. END SUMMARY.

2. RECENT RIO VISIT BY RICHARD GRIFFIN OF PULLMAN-STANDARD AND JAY SMITH OF MEPD APPEARS TO HAVE BEEN HIGHLY SUCCESSFUL. WHILE IN RIO, GRIFFIN AND SMITH MET WITH STELLING, RUPP AND DE SOUZA OF REDE, WITH JOAO CARLOS BARBOSA, DIRECTOR OF OPERATIONS, DEPARTAMENTO NACIONAL DE ESTRADAS DE FERRO, WITH GEN, GONCALVES OF RIO METRO AND OTHERS. AS MEPD NOW AWARE, UNCLASSIFIED

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BARBOSA MAY BE SLATED FOR POSSIBLE TOP-

RANKING JOB IN REDE WITH ADVENT GEISEL ADMINISTRATION.

3. AS RESULT VISIT, THERE REMAINS STRONG POSSIBILITY PULLMAN OBTAINING REDE FERROVIARIA CONTRACT FOR INITIAL ORDER 1900 HOPPER CARS WORTH SOME 60 MILLION DOLLARS. ONCE ESTABLISHED IN BRAZIL THROUGH THIS ORDER PULLMAN SHOULD BE IN EXCELLENT POSITION TO OBTAIN ONGOING REDE CONTRACTS. THESE COULD BE SUBSTANTIAL. ACCORDING TO ONE OFFICIAL, REDE PLANS INVEST IN NEW EQUIPMENT APPROXIMATELY 20 BILLION CRUZEIROS (3.25 BILLION DOLLARS) OVER NEXT 5 YEARS.

4. DURING VISIT, GRIFFIN EXPLAINED TO REDE OFFICIALS CONDITIONS UNDER WHICH PULLMAN WOULD FURNISH RAILCARS. PRINCIPALLY, THESE WOULD INCLUDE OPENING SEPARATE LINE OF PRODUCTION AT HAMMOND, INDIANA PLANT FOR DELIVERY IN 1975 OF KNOCKEDOWN RAILCAR KITS FOR ASSEMBLY IN BRAZIL. AT MEETING WITH JULIO COUTINHO, PRESIDENT, GUANABARA DEVELOPMENT COUNCIL, GRIFFIN WAS ASSURED OF FULL SUPPORT BY STATE OFFICIALS IN LOCATING POSSIBLE ASSEMBLY OPERATIONS IN GUANABARA.

5. OSTENSIBLY, OFFICIAL REDE POSITION, OUTLINED BY GEN. RUPP, IS THAT 1900 HOPPER CAR ORDER WILL BE GIVEN TO LOCAL MANUFACTURERS. HOWEVER, THIS DECISION NOT AS YET FINAL AND WE UNDERSTAND THERE IS FACTION IN REDE LED BY REDE DIRECTOR STELLING WHICH IS IN FAVOR GIVING CONTRACT TO PULLMAN. ACCORDING TO RECENTLY APPOINTED PULLMAN REP IN RIO, FERRAGENS SANTOS, STELLING HAS ENOUGH POWER AND INFLUENCE WITHIN REDE TO SWING DEAL PULLMAN'S WAY. HE SHOULD BE LOOKED UPON AS KEY MAN IN THIS TRANSACTION.

6. PULLMAN, HOWEVER, WILL HAVE TO MOVE QUICKLY TO PROVIDE REDE IN WRITING WITH MORE DETAILED OFFER REGARDING RAILCARS. COMMERCE, PULLMAN AND EXIM SHOULD ALSO COOPERATE TO INSURE THAT FORTHCOMING VISIT TO WASHINGTON BY STELLING WORKS IN FAVOR OF U.S. FIRM OBTAINING HOPPER CAR CONTRACT. WE UNDERSTAND STELLING PLANS VISIT WASHINGTON JAN. 15-17 WITH PAULO YOKOTA
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OF CENTRAL BANK TO SIGN EXIM LOAN FOR PURCHASE OF RAILS AND ACCESSORIES FROM BETHELEM STEEL. WE UNDERSTAND FURTHER IT MAY BE POSSIBLE FOR STELLING TO ALSO SIGN LOAN CONTRACT FOR RAILCARS FROM PULLMAN PROVIDED PULLMAN ACTS QUICKLY TO FURNISH STELLING WITH ENOUGH INFORMATION TO DO SO. CONGEN SUGGESTS COMMERCE EXPLORE THIS POSSIBILITY WITH EXIM AND PULLMAN.
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